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SUBJECT: ELECTION 2008: WHAT IF...

REF: A. OTTAWA 1300

1B. OTTAWA 1293

1C. OTTAWA 1216

Classified By: PolMinCouns Scott Bellard, reason 1.4 (d)

11. (C) Summary. A Liberal victory in the federal election, while still not likely, has suddenly become a possibility in the wake of widespread concerns about the world financial situation. Improved prospects for the Liberals in Ontario and for the Bloc Quebecois in Quebec have substantially eaten into the one-time Conservative hopes of picking up 10-20 seats in these vote-rich provinces. If in office, the Liberals would likely maintain course on Afghanistan, diminish spending on military procurement and the expansion of the Canadian Forces in order to expand social and health services, and impose a controversial new carbon tax - while still trying to avoid a budget deficit. The Liberal platform makes clear that strengthened and good relations with the U.S. would remain of paramount importance. End Summary.

12. (C) Canadian voters appear to have woken up to the domestic political implications of the world financial crisis and potential for new economic woes at home, and to be rethinking their choices in the October 14 federal election. Conservative efforts to urge a "steady at the helm" approach, to reassure voters that Stephen Harper is the best choice to navigate the ship of state in rocky economic times, and to convince the public that Liberal leader Stephane Dion is "not worth the risk" are increasingly falling on deaf ears, while Dion's claim that the Conservatives have been "asleep at the wheel" is gaining resonance. Support for the Conservatives has dropped from over 41 pct to somewhere between 31 and 35 pct, with the Liberals now lagging only by three to five percentage points (with about a three point margin of error) in most polls. On October 8 alone, Harper's rating for trustworthiness and competence dropped by seven points while Dion's gained nine points, according to a CPAC-Nanos daily election poll.

13. (C) Economic news is unlikely to improve noticeably in the few days before the election, and Canadian voters are headed toward a long weekend to celebrate Canadian Thanksgiving, meaning that the campaign effectively ends October 10. Dion increasingly appears to have hit his stride by assuring voters that the Liberals understand their pain and have the best track record (in the 1990s) as well as the best "dream team" to handle an economic slowdown. They have also argued that Harper is out of touch with Canadian concerns, lambasting Harper for suggesting to Canadians worried about their retirement investments that now would actually be a good time to buy up more stocks cheaply. Dion is more openly going on the warpath, commenting that, while his English may not be as good as Harper's, he "speaks the truth in both official languages" better than Harper. Voters appear finally to be responding to a new and improved Dion image, whereas Harper's unemotional style and patient reassurances are making him appear detached to many worried voters.

14. (C) For the first time in the campaign, the Liberals

appear to have a shot at beating the Conservatives, if only marginally, and getting the chance to form a minority government. (Neither party has any realistic hope at this point of gaining a majority.) One wild card remains how the other opposition parties do, with about 15 pct of the voters still undecided, and even between 8 and 14 pct of "decided" voters potentially willing to switch their votes by October 14. Green Party voters, in particular, may decide to vote "strategically" for Liberal candidates in their ridings or "strategically" for Liberal candidates in their ridings instead of voting for their own party's candidates in order to oust the Conservatives; Green leader Elizabeth May has said publicly that she wants Dion to be Canada's next Prime Minister. Support for both the Green Party and the New Democratic Party is up noticeably from 2006 levels, while the Bloc Quebecois has apparently rebounded in Quebec, at the expense of potential Conservative victories there. The Conservatives are still slightly ahead in Ontario, but their advantages are declining.

15. (C) Even if the Liberals win, they likely will have only a weak minority and will be hard-pressed to undertake significant shifts in policy. Furthermore, their campaign pledges not to run Canada into deficit territory again -- anathema to most Canadian voters -- will limit their programmatic flexibility. On Afghanistan, a Liberal government would likely maintain the course set forward in the March 2008 bipartisan Commons motion committing Canadian Forces in Kandahar until 2011, but the Liberals might well scale back some of the more ambitious military modernization and procurement choices of the Conservatives in order to free up budget spending for social and health services. Dion has insisted that he would move forward with his Green Shift

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phased-in "carbon tax" plan, claiming that large numbers of economists have assured him it is the right move for a declining economy. On other issues of concern to the U.S., the Liberals have proposed a \$400 million Canadian Water Fund to clean up boundary waters, including the Great Lakes," while promising to "protect Canada's water supply by standing up for Canadian control over our waters." They have promised \$4.5 billion for Canada's gateways, corridors, and borders "to ensure that Canada's infrastructure facilitates, rather than hinders, our trade and tourism industries while keeping Canada safe and secure." They have pledged to take "concrete action" to address the flow of illegal guns into Canada "beginning with negotiations on a mutually responsible strategy aimed at curbing gun smuggling from the U.S. into Canada."

16. (C) Good relations with the U.S. would without doubt remain a top priority for a Liberal government as well as for a new Conservative government. The Liberals' own campaign platform contains several references to the need further to "strengthen" bilateral ties, while nonetheless insisting on keeping Canada out of the U.S. missile defense shield and on securing Canada's claim to the Arctic. Ultimately, whichever party wins the election -- and Embassy continues to predict a Conservative victory, but potentially with even fewer seats than the Conservatives held in the last Parliament rather than a gain of up to 145 as the Conservatives only recently predicted (ref b) -- will view U.S. relations as of paramount importance, and will continue close collaboration with the new U.S. Administration (ref c).

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